

Message Text

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PAGE 01 OECD P 04688 01 OF 03 221334Z

42

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E.O. 11652: N/A

TAGS: ENRG, OECD

SUBJECT: IEA: MEETING OF SOM AD HOC WORKING PARTY,
19 FEBRUARY

1. IN PARAS 2 BELOW, IS SECRETARIAT'S SUMMARY OF
DISCUSSION AND CONCLUSIONS OF MEETING OF AD HOC WORKING
PARTY ON CRUDE OIL IMPORT PRICE REPORTING PROCEDURES.
SECRETARIAT HAS REQUESTED THAT ALL SUGGESTED REVISIONS
OF DOCUMENT BE SUBMITTED BY 27 FEBRUARY. DOCUMENT
WILL THEN BE FORWARDED TO STANDING GROUP. USDEL
COMMENTS ON DOCUMENT ARE CONTAINED PARAS BELOW.
COMMENTS ON IWP REPORT CIRCULATED BY OTHER
DELS AT MEETING (AND REFERRED TO IN SECRETARIAT
CONCLUSIONS PAPER) ARE BEING HANDCARRIED TO DEPARTMENT
THIS WEEKEND BY MARION CREEKMORE (EB/FSE).

2. BEGIN TEXT:

1. THE AD HOC WORKING PARTY, IN CONSIDERING THE
COMMENTS AND SUGGESTIONS SUBMITTED BY THE PARTICIPATING
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PAGE 02 OECD P 04688 01 OF 03 221334Z

COUNTRIES, DISCUSSED THE FOLLOWING ITEMS OF THE GENERAL

SECTION OF THE INFORMATION SYSTEM (ANNEX I TO IEA/SOM
(75)3):

REPORTING COMPANIES (PAGE 5) (ANNEX I OF IEA/SOM(75)3)

2. WHILE SOME DELEGATIONS (GERMAN, CANADA)
EXPRESSED THEIR WISH TO ENSURE THE INCLUSION OF ALL
IMPORTING COMPANIES UNDER THE SYSTEM, OTHER DELEGATIONS
(UNITED STATES, JAPAN) PROPOSED A GENERAL LIMITATION FOR
MINOR COMPANIES. THE AD HOC WORKING PARTY, BEING AWARE
OF THE REGULATIONS OF ARTICLE 26 OF THE IEP, AGREED ON
THE PRINCIPLE THAT SUCH A LIMITATION, IF ACCEPTED BY
PARTICIPATING COUNTRIES, SHOULD NOT BE BASED ON QUALITY
CHARACTERISTICS (E.G. TRADING COMPANIES) BUT ONLY ON A
QUANTITY FIGURE.

3. AFTER CONSIDERATION OF THE VARIOUS POSSIBILITIES
FOR SUCH A LIMITATION PROPOSED BY PARTICIPATING
COUNTRIES, AND OF THE DIFFERENT IMPORT SITUATIONS OF
PARTICIPATING COUNTRIES, THE AD HOC WORKING PARTY
RECOMMENDS TO THE SOM TO ADOPT A CEILING PERCENTAGE
OF 85 PER CENT (THE UNITED STATES DELEGATION COULD ONLY
ACCEPT THIS FIGURE AD REFERENDUM.) OF THE TOTAL IMPORTS
OF THE 16 DESIGNATED CRUDESTREAMS, WHICH SHOULD AT
LEAST BE COVERED BY REPORTING COMPANIES, TAKING INTO
ACCOUNT THAT PARTICIPATING COUNTRIES SHOULD ATTEMPT TO
REPORT TO THE FULLEST EXTENT POSSIBLE. ALL PARTICIPATING
COUNTRIES ARE ASKED TO REVIEW THEIR INDIVIDUAL IMPORT
SITUATIONS AS TO WHAT AN APPROPRIATE FLOOR PERCENTAGE
WOULD BE FOR THEIR COUNTRY AND TO COMMUNICATE THEIR
SUGGESTIONS TO THE SECRETARIAT AS EARLY AS POSSIBLE FOR
CONSIDERATION BY THE SOM AT ITS NEXT MEETING.

DESIGNATED CRUDE OIL STREAMS (PAGE 6, III)

4. MOST DELEGATIONS WERE HESITANT TOWARDS THE
PROPOSAL OF THE GERMAN DELEGATION TO ADD TO THE LIST OF
DESIGNATED CRUDE OIL STREAMS A 17TH ITEM
"OTHER IMPORTED CRUDE OILS" IN ORDER TO IMPROVE THE VALUE
OF THE INFORMATION SYSTEM BY COMPRISING ALL IMPORTED
CRUDE OILS AND IN RESPECT TO COMPARABILITY WITH DATA OF
THE LATER SPECIAL SECTION.

5. IN THE VIEW OF THE IWP REPRESENTATIVES SUCH A
CONGLOMERATE FIGURE FOR THE REMAINING CRUDE OIL STREAMS
DOES NOT INCREASE TRANSPARENCY AND COMPLICATES THE
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PAGE 03 OECD P 04688 01 OF 03 221334Z

INFORMATION SYSTEM. THE SECRETARIAT ON THE OTHER HAND
POINTED OUT THE IMPORTANCE OF OBTAINING BY THESE FIGURES
THE AVERAGE CRUDE OIL IMPORT PRICE PER COUNTRY AS A
PARAMETER FOR COMPARISON WITH INDIVIDUAL CRUDE STREAMS
AND WITH THE SITUATION IN OTHER COUNTRIES.
DEFINITION OF PRICES AND VOLUMES (PAGE 6, III)

6. THE PROPOSAL OF THE UNITED KINGDOM DELEGATION
TO REPORT VOLUMES IN UNITS OF METRIC TONS IN RESPECT TO

THE LATER DEMANDS OF THE SPECIAL SECTION AND THE AGREEMENT IN THE EMERGENCY SECTOR ON THIS UNIT WAS OPPOSED BY THE IWP REPRESENTATIVES WITH REFERENCE TO THE INTERNATIONAL USAGE OF THE "BARREL" AS THE USUAL STANDARD OF MEASUREMENT. WITH API GRAVITY GIVEN THE IWP DID NOT SEE ANY DIFFICULTY FOR A COUNTRY THAT WANTS TO DO

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PAGE 01 OECD P 04688 02 OF 03 221339Z

42

ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

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P R 221323Z FEB 75

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SO TO CONVERT BARRELS INTO METRIC TONS.

7. THE AD HOC WORKING PARTY AGREED THAT THE SOM SHOULD MAINTAIN, FOR THE TIME BEING, THE PROPOSAL OF THE IWP BUT COULD RECONSIDER THE QUESTION IF LATER ON PARTICULAR DEMANDS RESULT FROM THE SPECIAL SECTION. GRAVITY (PAGE 6, 7)

8. WITH RESPECT TO THE SUGGESTIONS OF SEVERAL DELEGATIONS (UNITED STATES, SPAIN, JAPAN, CANADA) CONCERNING GRAVITY REGULATIONS IWP REPRESENTATIVES EXPLAINED THAT:

- ITS PROPOSALS ALREADY INVOLVE THE NECESSARY
ADJUSTMENTS;

- SULPHUR DIFFERENTIAL HAS NO MARKET PLACE
RECOGNITION WITH VENEZUELAN CRUDE;

- GRAVITY WITHIN A GIVEN CRUDE OIL STREAM
CHANGES SO SLIGHTLY WITHIN THE RUN OF YEARS THAT IT IS
OF LITTLE SIGNIFICANCE TO PARTICIPATING COUNTRY
GOVERNMENTS.

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PAGE 02 OECD P 04688 02 OF 03 221339Z

9. THE JAPANESE DELEGATION, ON BEING INFORMED BY
THE IWP REPRESENTATIVES THAT THE NECESSARY GRAVITY
CORRECTIONS REPRESENT NO DIFFICULTY FOR THE REPORTING
COMPANIES, WILL REVIEW ITS SPECIFIC RESERVATIONS FOR THE
NEXT SOM MEETING.

REPORTING PRICES (PAGE 7, IV)

10. IWP PROMISED TO GIVE FURTHER CONSIDERATION TO
THE DANISH DELEGATION'S SUGGESTION FOR MORE PRECISE
DEFINITIONS FOR THE PRICE CHANGES MENTIONED IN
PARAGRAPH IV (A) 77 2 AND 3.

11. IWP REPRESENTATIVES POINTED TO THE FACT THAT
THE TREND INFORMATION SUGGESTED BY THE DANISH AND
SPANISH DELEGATIONS WOULD BECOME AVAILABLE TOO LATE TO
BE USEFUL FOR PARTICIPATING COUNTRIES, TAKING INTO
ACCOUNT THE TIME PASSED BETWEEN DELIVERY OF DATA BY THE
COMPANIES AND RETURN OF EVALUATED INFORMATION FROM THE
AGENCY. THE IWP WILL, HOWEVER, REPORT ON BOTH OF THESE
QUESTIONS AT THE NEXT SOM MEETING.

EXCHANGE RATES (PAGE 7, IV B)

12. MOST DELEGATIONS FOUND IT USEFUL TO AGREE ON
STANDARD EXCHANGE RATE GUIDELINES AS PROPOSED BY
THE UNITED STATES AND NETHERLANDS DELEGATIONS.

13. THE IWP REPRESENTATIVES EXPLAINED THAT THEY
HAD RELIED ON THE COMPANIES' INDIVIDUAL CALCULATING
SCHEMES IN ORDER TO MAKE DATA AVAILABLE AS QUICKLY AS
POSSIBLE. THEY DID NOT KNOW OF A COMMON PROCEDURE AND
AT LEAST THE UNITED STATES BASED COMPANIES WERE IMPEDED
FOR LEGAL REASONS FROM COMPARING THEIR SYSTEMS. GUIDE-
LINES, THEREFORE, WOULD HAVE TO BE PROVIDED BY
GOVERNMENTS, WHICH WOULD PROBABLY SLOW DOWN THE DATA
FLOW CONSIDERABLY AND MIGHT IN PRACTICE BE VIRTUALLY
IMPOSSIBLE TO IMPLEMENT.

14. THE ADHOC WORKING PARTY ACKNOWLEDGE THESE
PROBLEMS BUT REQUESTED IWP WITH REGARD TO THE IMPORTANCE
OF THIS QUESTION TO LOOK DEEPER INTO THIS MATTER AND IN
PARTICULAR TO FIND OUT ABOUT ANY POSSIBLE MAJOR COMPLICA-
TIONS AND THE MAGNITUDE OF PROBABLE DIVERGENCIES IN THE
CALCULATING SCHEMES. IWP WILL BRING THE RESULTS TO THE
SOM AT ITS NEXT MEETING.

CREDIT TERMS (PAGE 8, D)

15. THE JAPANESE DELEGATION WILL FINALLY COMMENT
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PAGE 03 OECD P 04688 02 OF 03 221339Z

ON THIS QUESTION AFTER FURTHER CONSULTATION WITH THEIR
AUTHORITIES.

CIF PRICES: OTHER CHARGES (PAGE 8, E AND PAGE 18)

16. THE AD HOC WORKING PARTY RECOMMENDS THAT
"OCEAN LOSS" AS A PART OF C.I.F. PRICES BE INCLUDED
UNDER "OTHER CHARGES" IN THE EXPLANATIONS OF ANNEX I,
PAGE 18, FOLLOWING THE CANADIAN PROPOSAL. THUS VOLUMES
SHOULD BE REPORTED ON A BILL OF LADING BASIS. ON THE
OTHER HAND IT HAS LEARNED FROM IWP THAT BROKERAGE FEES
ARE TREATED DIFFERENTLY FROM COMPANY TO COMPANY SO THAT
ITS INCLUSION CAN ONLY BE OPTIONAL, I.E. IF THE CHARGE
IS INCURRED BEFORE DELIVERY.

MULTIPLE COUNTRY AGGREGATION (PAGE 9, IV B)

17. THE AD HOC WORKING PARTY IS AWARE OF THE FACT
THAT THE INFORMATION SYSTEM ALWAYS REFERS TO "IMPORTING"
COUNTRIES. IT THEREFORE FELT IT UNNECESSARY TO AMEND THE
TEXT OF IV B AS PROPOSED BY THE CANADIAN DELEGATION.
REPORTING VOLUMES (PAGE 9, V)

18. SEVERAL DELEGATIONS (CANADA, SPAIN) SUGGESTED
THAT A REPORT REFERRING TO THE DATE OF LOADING WOULD
PROVIDE A MORE REALISTIC PICTURE THAN THE PROPOSED
DATE-OF-DISCHARGE BASIS, THUS AVOIDING PRICE DIFFERENCE
DUE TO DIFFERENT DISTANCES TO COVER BETWEEN THE
IMPORTING AND PRODUCING COUNTRIES. IWP REPRESENTATIVES
EXPLAINED THAT AS THE INFORMATION SYSTEM IS RELATED TO

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PAGE 01 OECD P 04688 03 OF 03 221356Z

47

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LIMITED OFFICIAL USE SECTION 03 OF 03 OECD PARIS 04688

PRICES AND NOT TO COSTS IT IS ONLY WHEN THE CRUDE OIL IS LANDED THAT A REPORTING COMPANY CAN BE SURE OF ITS PRICE.

19. THE AD HOC WORKING PARTY THEREFORE AGREED ON IWP'S ORIGINAL PROPOSAL, KEEPING IN MIND FUTURE POSSIBILITIES FOR IMPROVEMENT.

GOVERNMENT REPORTING (PAGE 11, VII, B(3))

20. THE SPANISH DELEGATION DREW THE ATTENTION OF THE AD HOC WORKING PARTY TO THE FACT THAT THE REPORT ON THE HIGHEST AND LOWEST AVERAGE PRICES BY HOME GOVERNMENTS IS RATHER MEANINGLESS FOR THE INTERPRETATION OF THE ACTUAL PRICE SITUATION OF AN INDIVIDUAL COUNTRY. IT SUGGESTED TO DEVISE A SYSTEM WHICH BETTER INDICATES DEVIATIONS.

21. IN RESPECT TO THIS SUGGESTION THE AD HOC WORKING PARTY AGREED THAT THE IWP SHOULD EXAMINE FOR THE NEXT SOM MEETING IF THE REPORTING OF THE 10TH AND 90TH PERCENTILE OF THE AVERAGE PRICES COULD BE EFFECTED AND WOULD ENSURE BETTER INFORMATION FOR PARTICIPATING LIMITED OFFICIAL USE

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PAGE 02 OECD P 04688 03 OF 03 221356Z

COUNTRIES.

AFFILIATED COMPANIES (PAGE 14, VII)

22. THE CANADIAN AS WELL AS THE SPANISH DELEGATION RAISED THE QUESTION OF HOW EXCHANGES OF CRUDE OIL OR OTHER "UNNORMAL" TRANSACTIONS WOULD BE DEALT WITH IN THE INFORMATION SYSTEM. IWP REPRESENTATIVES POINTED OUT THAT THE INFORMATION SYSTEM IS DEVISED TO CAPTURE ALL IMPORTS. THEY DID NOT SEE THE NECESSITY FOR A SEPARATE THIRD CATEGORY SINCE CRUDE ALSO IN THE ABOVE MENTIONED TRANSACTIONS HAS A PRICE TO WHICH THE REPORTING (IMPORTING) COMPANY CAN REFER.

CREDIT TERMS (PAGE 17, III)

23. ON THE REQUEST OF THE GERMAN DELEGATION THE IWP REPRESENTATIVES CLARIFIED THAT THE WORDS "DATE OF

TITLE TRANSFER" ARE AN INTERNATIONALLY ACKNOWLEDGED TERM MEANING THE DATE ON WHICH OWNERSHIP OF CRUDE PASSES.

24. THE CHAIRMAN OF THE AD HOC WORKING PARTY CONFIRMED, ON THE REQUEST OF THE JAPANESE DELEGATION, THAT THE DECISIONS AND RECOMMENDATIONS OF THE WORKING PARTY ARE IN NO MEANS PREJUDICIAL FOR THE QUESTION OF AGGREGATED OR NON-AGGREGATED DATA WHICH WILL HAVE TO BE FINALLY DEALT WITH BY THE GOVERNING BOARD.

3. COMMENT:

A) REPORTING: REPORT (IN PARA 3) IS SOMEWHAT CONFUSING RE WHICH COMPANIES NEED REPORT UNDER SYSTEM. 85 "CEILING" MEANS THAT AT LEAST 85 OF IMPORTS OF 16 CRUDE STREAMS WILL BE REPORTED. REFERENCE TO "APPROPRIATE FLOOR PERCENTAGE" REFERS TO U.S. PROPOSAL FOR 1 LIMITATION (THERE WAS NO SUPPORT WITHIN GROUP, HOWEVER, FOR FLOOR FIGURES AS LOW AS 1.). IWP THOUGHT ALL COMPANIES SHOULD REPORT. RE CEILING, USDEL POINTED OUT THAT IMPORTS FROM CANADA REPRESENT 20 OF U.S. TOTAL AND THAT, SINCE THIS DOES NOT CONSTITUTE ONE OF 16 CRUDE STREAMS, 85 REPORTING REQUIREMENT WOULD PLACE LARGER REPORTING REQUIREMENT ON U.S. THAN ON OTHER IEA MEMBERS. U.S., THEREFORE, COULD ONLY SUPPORT 85 FIGURES ON AD REFERENDUM BASIS.

B) CRUDE OIL STREAMS: RE REPORTING ON CRUDE OIL STREAMS (PARAS 4-5), IWP, JOINED BY SOME OTHER DELS, POINTED OUT THAT ADDING "ALL OTHER" AS A CATEGORY FOR REPORTING (AS URGED BY FRG DEL), WHILE NOT DIFFICULT TO DO LIMITED OFFICIAL USE

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PAGE 03 OECD P 04688 03 OF 03 221356Z

WAS A CLEAR DEPARTURE FROM PRINCIPLE THAT ONLY NECESSARY AND USEFUL DATA SHOULD BE INCLUDED IN THE PROGRAM.

C) SPECIFIC GRAVITY: IWP REP ASSURED USDEL AFTER MEETING THAT COMPANIES WOULD ALL BE FOLLOWING UNIFORM PROCEDURES IN ROUNDING SPECIFIC GRAVITY FIGURES FOR CRUDE STREAMS.

D) EXCHANGE RATES: UK DEL STRONGLY QUESTIONED NECESSITY OF ATTEMPTING TO IMPLEMENT EXCHANGE RATE GUIDELINES. THEY POINTED OUT THAT GUIDELINES WOULD ONLY BE OPERATIVE FOR DIFFERENCE BETWEEN F.O.B. AND C.I.F. PRICES, WHICH WOULD MEAN GUIDELINES WOULD EFFECT ONLY 10 OF TOTAL PER BARREL COST (I.E. HAVE EFFECT ON ONLY ABOUT 10CENTS OF TOTAL COST). UK FELT IMPLEMENTATION OF PROCEDURE WOULD BE DIFFICULT, TIME-CONSUMING AND ONLY OF VERY MINOR BENEFIT TO PROGRAM. IWP POINTED OUT THAT IF COMPANIES HAD TO WAIT FOR GUIDELINES TO BE DEVELOPED AND IMPLEMENTED THIS WOULD BE A FURTHER IMPEDIMENT TO RAPID REPORTING OF DATA UNDER SYSTEM.

E) DATA COLLECTION: GROUP ALSO AGREED TO U.S. SUGGESTION THAT DATA WOULD BE SUBMITTED BY GOVERNMENTS TO IEA ON IWP RECOMMENDED FORM.

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